



House of Braemore
FURNITURE LIMITED

ANNUAL REPORT 1969

EXECUTIVE OFFICES: 4646 DUFFERIN STREET, TORONTO, ONTARIO

DIRECTORS: MORRIS WEINER
HARVEY KENNETH WEINER
ERNEST FINE
JOHN ARTHUR GELLER, Q.C.
MARVIN ZEMOR MANDELL

OFFICERS: MORRIS WEINER, President
HARVEY KENNETH WEINER, Vice-President
and General Manager
ERNEST FINE, Secretary-Treasurer

**TRANSFER AGENTS
AND REGISTRAR:** CROWN TRUST COMPANY

BANKERS: CANADIAN IMPERIAL BANK OF COMMERCE

AUDITORS: JORDAN AND JORDAN AND HERLICK

ANNUAL MEETING: 4646 Dufferin Street, Toronto, Ontario, Canada,
Thursday, October 30, 1969 at
10:00 a.m., Toronto Time

REPORT OF THE PRESIDENT

The fiscal year under review represents the start of a challenging and exciting era. The business has been established for forty years as one of the leaders in the upholstered furniture industry and in November, 1968, a public issue of the company's common shares was made. This, then, is our first annual report as a publicly owned company and we take this opportunity of welcoming our increased family of shareholders.

Because this is our first fiscal year, we have been unable to show comparative figures of results in this statement. The last complete year figures available, for the business are for the period ended December 31, 1967, and considerable progress in sales and profits are evident.

Today's marketplace in the Canadian furniture industry demands distinctive styling and a perpetual fresh appearance. Your management team is well equipped to meet these diverse challenges and we are confident of our ability to continue to progress with strength in the future.

In the past year, we have developed and maintained a strong but young supervisory team, whose enthusiasm is unsurpassed. This group is dedicated to the continuance of efficient quality production of our furniture. We are aware of the increasing danger of inflation and the efforts of all of our personnel will be directed to bring and maintain costs and productivity into a sound balance, thereby creating increased profits and growth.

At the same time, the company, in co-operation with the Federal and Provincial governments, has embarked on a programme to train unskilled workers into our handcraft industry, and this programme is receiving unqualified success.

ACQUISITIONS

In line with our stated policy of growth, both internally and by means of acquisition, our company carefully evaluated many firms in order to find those that meet our criterion for growth, solidity and profitability. As a result, we made two major acquisitions this year. The Hespeler Furniture Company Limited was purchased for a cash consideration of \$347,738.00, and through Hespeler, we have just completed the acquisition of substantially all of the assets of American Frame and Woodworking (1961) Limited, for a cash consideration of \$682,516.00. It should be noted that, as part of the acquisition detail, American Frame and Woodworking (1961) Limited have purchased a block of 40,000 Treasury shares for a cash payment of \$360,000.00.

The Hespeler Furniture Company Limited, formed in 1901, is one of the most highly respected names in Canada for its dining room,

bedroom and living room furniture. Because of an extensive plant and equipment modernization programme recently completed, Hespeler now is in the enviable position of having a well-established reputation and a modern, highly competitive operation. Such a combination we believe is the keynote to future success.

The American Frame business is that of a manufacturer of wooden frames for the upholstered furniture industry. Its customers are mainly confined to the area of Metropolitan Toronto, since this is the main centre of upholstered furniture manufacturing.

Excellent facilities are similarly available here for expansion and it is anticipated that their existing business plus the requirements of the parent company will permit immediate profitable expansion.

Your directors anticipate that these acquisitions will make a significant contribution to the company's consolidated earnings.

DIVIDENDS

Despite the increase in corporation taxes, the business has been successful in recording an increased growth in earnings. It is felt, however, that these earnings should be conserved to provide the basis for future expansion, rather than be disbursed as shareholders' dividends.

FUTURE

The optimum use of the company's resources, financial, physical and human, is recognized as a constant challenge, and opportunities for sound growth are eagerly sought. Anticipation of and planning for change will continue to receive the maximum attention of your officers and directors.

We gratefully acknowledge the zeal of our employees, the confidence of our customers and the interest and continuing support of our shareholders.

The value of this support, although not shown on our balance sheet, is, without question, our most valuable asset.



Morris Weiner,
President

October 6th, 1969.

CONSOLIDATED BALANCE SHEET

CURRENT ASSETS

| | | |
|---|---------------|-------------|
| Balance in Bank | \$ 222,262 | |
| Accounts Receivable | 1,477,241 | |
| Inventories (lower of cost or net realizable value) (Note 1.) | 1,001,201 | |
| Prepaid Expenses and Sundry Assets | <u>40,245</u> | \$2,740,949 |
| FIXED ASSETS (Note 2.) | | 539,142 |
| Deferred Charges (Note 3.) | | 53,812 |
| Excess of Acquisition Cost Over Net Book Value (Note 4.) | | 636,652 |
| Incorporation Expense | | 2,210 |

MR. M. WEINER, Director

MR. H. WEINER, Director

\$3,972,765

TO BE READ WITH

AUDITORS'

Gentlemen:

We have examined the Consolidated Balance Sheet of House of Braemore Furniture Limited and its Consolidated Statements of Retained Earnings, Operations and Source and Application of Funds for the year tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the funds for the year then ended in accordance with generally accepted accounting principles.

TORONTO, September 4, 1969.

FURNITURE LIMITED

Hespeler Furniture Company Limited
Ontario

SHEET AS AT JUNE 30, 1969

LIABILITIES

CURRENT LIABILITIES

| | | |
|---|----------------|-------------|
| Bank Loan (Note 5.) | \$ 130,000 | |
| Accounts Payable and Accrued Liabilities | 629,924 | |
| Income Taxes | 164,724 | |
| Current Portion of Long Term Debt | 147,481 | |
| Balance Due on Purchase of American Frame Division Assets | <u>636,990</u> | \$1,709,119 |
| Long Term Debt (Note 6.) | | 945,331 |
| Deferred Taxes (Note 7.) | | 573 |

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 8.)

| | | |
|--|----------------|--------------------|
| Authorized 1,500,000 Common Shares without par value | | |
| Issued and Fully Paid 604,300 shares | 893,160 | |
| Add: Retained Earnings | <u>424,582</u> | <u>1,317,742</u> |
| | | <u>\$3,972,765</u> |

OUR REPORT

REPORT

Furniture Company Limited

s wholly owned subsidiary The Hespeler Furniture Company Limited as at June 30, 1969 and the related
r ended June 30, 1969. Our examination included a general review of the accounting procedures and such

companies as at June 30, 1969 and the results of their operations and the Source and Application of their

Respectfully submitted,
JORDAN and JORDAN and HERLICK
Chartered Accountants

HOUSE OF BRAEMORE FURNITURE LIMITED

And Its Wholly Owned Subsidiary The Hespeler Furniture Company Limited
Downsview Ontario

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 1969

| | |
|---|--------------------|
| Sales | \$6,050,642 |
| Other Income | 11,511 |
| | <u>\$6,062,153</u> |
| Cost of Sales, Selling, General and Administrative Expenses | 5,191,647 |
| Profit Before Interest on Long Term Debt and Depreciation | <u>\$ 870,506</u> |
| Interest on Long Term Debt | \$ 11,605 |
| Depreciation | 47,022 |
| | <u>\$ 58,627</u> |
| Profit Before Taxes on Income | <u>\$ 811,879</u> |
| Income Taxes | 387,297 |
| NET PROFIT | <u>\$ 424,582</u> |
| Earnings per share | 70¢ |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 1969

| | |
|---------------------------|------------------|
| Net Profit for Year | <u>\$424,582</u> |
|---------------------------|------------------|

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JUNE 30, 1969

SOURCE OF FUNDS

| | | |
|---|------------|---------------|
| Net Profit | \$424,582 | |
| Depreciation | 47,022 | |
| Increase in Deferred Taxes | <u>573</u> | \$472,177 |
| Long Term Debt | | 240,000 |
| Loans from Shareholders | | 300,000 |
| Long Term Debt of Subsidiaries Assumed on Acquisition | | 405,332 |
| Common Shares Issued | | <u>21,500</u> |
| | | \$1,439,009 |

USE OF FUNDS

| | |
|--|----------------|
| Acquisition of Fixed Assets (net) | \$506,818 |
| Deferred Charges of Subsidiary | 53,812 |
| Incorporation Expense | 2,210 |
| Excess of Cost of Acquisition Over Net Book Values | <u>636,652</u> |
| | 1,199,492 |

INCREASE IN WORKING CAPITAL

| | |
|-------------------------------------|--------------------|
| Working Capital—July 1, 1968 | \$ 239,517 |
| WORKING CAPITAL—JUNE 30, 1969 | <u>792,313</u> |
| | <u>\$1,031,830</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 1969

PRINCIPLES OF CONSOLIDATIONS AND ACQUISITIONS

The accompanying financial statements include the accounts of the company and its subsidiary on a consolidated basis. The earnings of The Hespeler Furniture Company Limited are for the nine months ended June 30, 1969. Included with the earnings of The Hespeler Furniture Company Limited are the earnings of the American Frame Division for the two months ended June 30, 1969.

DETAILS OF ACQUISITION

As of May 1, 1969, The Hespeler Furniture Company Limited acquired substantially all of the assets of American Frame and Woodworking Company (1961) Limited for a cash consideration of \$682,516 and the assumption of liabilities in the amount of \$102,002. As part of this agreement American Frame and Woodworking Company (1961) Limited agreed to purchase 40,000 common shares of the company at \$9.00 per share.

On May 14, 1969 the company acquired from Weiner Furniture Limited all of the outstanding common shares of The Hespeler Furniture Company Limited for a consideration of \$347,738 payable as to \$100,000 by the assumption by the company of the obligation to pay the outstanding balance in that amount of the purchase price of such shares to the vendor, and the balance, without interest, over a four year period commencing May 14, 1970.

NOTE 1. INVENTORIES

Inventories are valued at the lower of cost or net realizable value and consist of the following:

| | |
|------------------|--------------------|
| Raw Materials | \$ 544,838 |
| Work in Progress | 96,679 |
| Finished Goods | 359,684 |
| | <u>\$1,001,201</u> |

| | Cost or Appraised Value | Accumulated Depreciation | Net Investment |
|-----------------------------|-------------------------------|-----------------------------|-------------------|
| NOTE 2. FIXED ASSETS | | | |
| Land | \$ 1,342 | \$ — | \$ 1,342 |
| Building | 278,495 | 25,312 | 253,183 |
| Machinery and Equipment | 437,494 | 179,099 | 258,395 |
| Leasehold Improvements | 14,850 | 1,348 | 13,502 |
| Automotive | 16,119 | 3,399 | 12,720 |
| | <u>\$748,300</u> | <u>\$209,158</u> | <u>\$539,142</u> |

The building, of The Hespeler Furniture Company Limited, is valued at an appraised value of \$260,000 which is \$20,000 less than an appraisal made by the Dominion Appraisal Company Limited on July 27, 1966. Additions to building and all other fixed assets are valued at cost.

NOTE 3. DEFERRED CHARGES

| | |
|-----------------|-----------------|
| Designs | \$ 3,000 |
| Start-Up Costs | 31,200 |
| Finance Charges | 19,612 |
| | <u>\$53,812</u> |

NOTE 4. EXCESS OF ACQUISITION COST OVER NET BOOK VALUE

| | |
|--|------------------|
| On acquisition of common shares of The Hespeler Furniture Company Limited | \$ 85,650 |
| On acquisition of substantially all of the assets of American Frame and Woodworking Company (1961) Limited | 551,002 |
| | <u>\$636,652</u> |

NOTE 5. BANK LOAN

The bank loan is secured by an assignment of the accounts receivable of The Hespeler Furniture Company Limited.

NOTE 6. LONG TERM DEBT

| | |
|---|--------------------|
| Balance due on purchase of common shares of The Hespeler Furniture Company Limited: | |
| October 1, 1969—7% | \$ 70,000 |
| May 15, 1970 | 37,738 |
| October 1, 1970—7% | 30,000 |
| May 15, 1971 | 70,000 |
| May 15, 1972 | 70,000 |
| May 15, 1973 | 70,000 |
| Conditional Sales Contracts for purchase of production equipment | 83,574 |
| Industrial Development Bank 8½% due November 23, 1972 | 61,500 |
| Loan—7%—due December 31, 1970 | 300,000 |
| Shareholders' Loans—7%—due December 31, 1970 | 300,000 |
| | <u>\$1,092,812</u> |
| Less: Instalments due within one year included in current liabilities | 147,481 |
| | <u>\$ 945,331</u> |

SECURITY

The obligation to pay the \$100,000 assumed on the purchase of the common shares of The Hespeler Furniture Company Limited is secured by a pledge of 913 common shares of that company. The remaining balance of \$247,738 is unsecured.

Conditional sales contracts are on the production equipment.

The Industrial Development Bank is secured by a first mortgage on the real estate, a chattel mortgage and a supplementary chattel mortgage on the equipment, each in the amount of \$100,000.

Loan and Shareholders' Loans are unsecured.

NOTE 7. INCOME TAXES

As at June 30, 1969, The Hespeler Furniture Company Limited has losses available for carry forward as a deduction against future years' profits. At current tax rates the tax credit which would result from the carry forward amounts, will, if realized, amount to approximately \$81,400.

Income Taxes have been reduced by \$573, as a result of the company's policy to claim capital cost allowances in excess of depreciation recorded in the records of the company.

NOTE 8. CAPITAL STOCK

During the year employees exercised their options to purchase a total of 4,300 common shares of the company at the price of \$5.00 per share. As at June 30, 1969, employees held options on an additional 20,200 common shares exercisable prior to October 3, 1973 at \$5.00 per share.

Changes in Capital Stock during the year are summarized as follows:

| Common Shares Outstanding immediately following the completion of the purchase by the company of its operating assets | No. of Shares | Amount |
|---|------------------|------------------|
| Issued during the year by the exercise of employee options | 4,300 | 21,500 |
| Common Shares Outstanding at End of Year | <u>604,300</u> | <u>\$893,160</u> |

Sale of Common Shares Subsequent to the Year End

On September 12, 1969, the company sold from the treasury 40,000 common shares for \$360,000.

NOTE 9. LEASES

Minimum Annual rental costs under lease agreements (exclusive of taxes, insurance and maintenance costs) which extend for more than five years from June 30, 1969 aggregate as follows:

| | |
|-------------|-----------------|
| 1970 - 1979 | <u>\$99,000</u> |
|-------------|-----------------|

NOTE 10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The total remuneration paid or payable by the company and its subsidiaries to its directors and senior officers amounted to \$174,700.

NOTE 11. TREATMENT OF DEFERRED START-UP COSTS

In 1968 The Hespeler Furniture Company Limited wrote off deferred start-up costs of \$15,800 against earnings. For the nine months ended June 30, 1969, the company has accelerated their write-off in total to \$32,000. The balance of the start-up cost in the amount of \$31,200 will be charged against future earnings. Such start-up costs have been written off in full in prior years for income tax purposes.

Elegant Furniture for the Home

**HOUSE OF BRAEMORE
FURNITURE LIMITED**

PLANT AND EXECUTIVE OFFICES:

4646 DUFFERIN STREET, DOWNSVIEW, ONTARIO

DIRECTORS:

MORRIS WEINER

HARVEY KENNETH WEINER

ERNEST FINE

JOHN ARTHUR GELLER, Q.C.

MARVIN ZEMOR MANDELL

OFFICERS:

MORRIS WEINER,
President

HARVEY KENNETH WEINER,
Vice-President and General Manager

ERNEST FINE,
Secretary-Treasurer

TRANSFER AGENTS AND REGISTRAR:

CROWN TRUST COMPANY

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE



House of Braemore

4646 DUFFERIN STREET
DOWNSVIEW, (TORONTO) ONTARIO

House of Braemore
FURNITURE LIMITED



**INTERIM REPORT
FOR THE SIX MONTHS
ENDED DECEMBER 31, 1969**

HOUSE OF BRAEMORE FURNITURE LIMITED

INTERIM REPORT TO SHAREHOLDERS

We are pleased to present the operating results of your company for the first half of the current fiscal year ended December 31, 1969.

As we enter the decade of the "Seventies" we are in a period, predicted to be the "age of the young marrieds." It is estimated that within this decade, half of the population of Canada will be under 25 years of age.

This extremely large group of youthful newlyweds is better educated, more affluent and more sophisticated in their desire for buying better quality goods than their predecessors.

Your company's products fit well into this category of medium to medium-high range of house furnishings and in addition we have recently completed a major re-styling of our line to appeal to this tremendous new market.

Our present advertising campaign includes a special program to place our new catalogue into the hands of the expected 165,000 brides in 1970.

We look forward with a great deal of optimism to the future.

MORRIS WEINER,

President

February 26, 1970

CONSOLIDATED STATEMENT OF INCOME

FOR SIX MONTHS ENDED DECEMBER 31, 1969

| | 1969 | 1968 |
|----------------------------|--------------------|--------------------|
| <u>Sales</u> | \$3,337,157 | \$2,458,610 |
| Cost of Sales | 2,956,945 | 2,058,000 |
| Provision for depreciation | 29,878 | 7,931 |
| Interest on Long Term Debt | 31,489 | — |
| | <u>\$3,018,312</u> | <u>\$2,065,931</u> |
| Income before taxes | \$ 318,845 | \$ 392,697 |
| Provision for taxes | 107,446 | 199,274 |
| Net Income | <u>\$ 211,399</u> | <u>\$ 193,405</u> |
| Earnings per share | .32¾¢ | .32½¢ |

SOURCE AND APPLICATION OF FUNDS

| | 1969 | 1968 |
|--|--------------------|--------------------|
| <u>Source of Funds</u> | | |
| Net Income | \$ 211,399 | \$ 193,405 |
| Depreciation not requiring cash outlay | 29,879 | 7,931 |
| Deferred charges | 10,075 | — |
| Deferred Income Taxes | — | 1,038 |
| Employee Stock options | 8,000 | 21,000 |
| Sale of 40,000 common shares | 360,000 | — |
| Loans received | 50,000 | — |
| | <u>\$ 669,353</u> | <u>\$ 223,374</u> |
| <u>Application of Funds</u> | | |
| Additions to Machinery and Equipment (Net) | \$ 8,565 | \$ 6,570 |
| Interest on assumed portion of purchase price of the shares of Hespeler Furniture Co. Ltd. | 7,000 | — |
| Deferred Income Taxes | 614 | — |
| Current payment on account of long term debt | 30,777 | — |
| Incorporation expense | — | 2,210 |
| | <u>\$ 46,956</u> | <u>\$ 8,780</u> |
| Increase in Working Capital | \$ 622,397 | \$ 214,594 |
| Working Capital July 1, 1969 | 1,031,830 | 792,313 |
| Working Capital December 31, 1969 | <u>\$1,654,227</u> | <u>\$1,006,907</u> |

All figures are subject to independent year end audit.

House of Braemore Furniture Limited

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of House of Braemore Furniture Limited will be held at the head office of the Company, 4646 Dufferin Street, North York, Ontario, Canada, on Thursday, the 30th day of October, 1969 at the hour of 10:00 o'clock in the forenoon, Toronto time, for the following purposes:

- (1) receiving the annual report, financial statements for the fiscal year ended June 30, 1969 and the report of the auditors;
- (2) electing directors;
- (3) appointing auditors and authorizing the directors to fix their remuneration; and
- (4) transacting such further and other business as may properly come before the meeting or any adjournment thereof.

Shareholders who are unable to attend the meeting in person are requested to date, sign and return, in the envelope provided for that purpose, the enclosed form of proxy.

DATED at Toronto, Ontario, this 6th day of October, 1969.

BY ORDER OF THE BOARD

E. Fine
Secretary

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by the management of House of Braemore Furniture Limited for use at the annual general meeting of the shareholders of the Company to be held on October 30, 1969 for the purposes set forth in the notice of meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Company. The costs of solicitation will be borne by the Company.

REVOCABILITY OF PROXY

The shareholder executing the accompanying proxy instrument has the power to revoke it at any time insofar as it has not been exercised.

VOTING SHARES

Class of Shares

*Number outstanding
at close of business
on September 12, 1969*

| | |
|---------------------------------------|---------|
| Common shares without par value | 644,300 |
|---------------------------------------|---------|

Each common share entitles the holder to one vote at all general meetings of shareholders. All shareholders of record as of the time of the annual general meeting or any adjournment thereof are entitled to attend and to vote thereat, either in person or by proxy, the shares held by them.

PRINCIPAL HOLDERS OF COMMON SHARES

| <u>Name</u> | <u>Approximate Number Beneficially Owned</u> | <u>Percentage of Outstanding Common Shares Represented</u> |
|--|--|--|
| The Morris Weiner Trust (1) | 115,500 | 17.92% |
| The Harvey Kenneth Weiner Trust (2) | 94,500 | 14.67% |
| Braemore Upholstered Furniture Limited (3) | 180,000 | 27.94% |

NOTES:

- (1) The Morris Weiner Trust was constituted under a trust agreement dated February 19, 1965 between Dolores Edythe Weiner, as Settlor, and Anne Pearl Weiner and Ruth Gorback, as Trustees. Its principal beneficiary is Morris Weiner.
- (2) The Harvey Kenneth Weiner Trust was constituted under a trust agreement dated February 19, 1965 between Morris Weiner, as Settlor, and Anne Pearl Weiner and Dolores Edythe Weiner, as Trustees. Its principal beneficiary is H. K. Weiner.
- (3) Braemore Upholstered Furniture Limited is beneficially owned as to 55% by Morris Weiner and as to 45% by H. K. Weiner.

ELECTION OF DIRECTORS

Proxies in favour of management nominees will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) who will serve until the next annual meeting of shareholders or, subject to the Company's by-laws, until their successors are elected in accordance with such by-laws.

| <u>Name</u> | <u>Year First Became a Director (1)</u> | <u>Common Shares of the Company Owned Beneficially as of September 12, 1969</u> |
|---|---|---|
| Morris Weiner (2) (3) (4) President of the Company. | 1968 | 295,500 |
| H. K. Weiner (2) (3) (4) Vice-President and General Manager of the Company. | 1968 | 94,500 |
| E. Fine (2) Secretary-Treasurer of the Company. | 1968 | 1,100 |
| J. A. Geller, Q.C. Partner, Campbell, Godfrey & Lewtas (Solicitors). | 1968 | 100 |
| M. Z. Mandell (2) Director, F. H. Deacon & Company Limited (Investment Dealers). | 1968 | 500 |

NOTES:

- (1) Each proposed nominee has served continuously as a director since 1968.
- (2) In addition to their present principal occupations shown above, the following proposed nominees had the following principal occupations in the five years preceding September 12, 1969:
 Morris Weiner - General Manager of House of Braemore Upholstered Furniture, President of Braemore Upholstering Limited (both Furniture Manufacturers).
 H. K. Weiner - General Manager of House of Braemore Upholstered Furniture, Secretary-Treasurer of Braemore Upholstering Limited (both Furniture Manufacturers).
 E. Fine - Controller of House of Braemore Upholstered Furniture, Controller of Braemore Upholstering Limited, Controller of Vogel Furniture Company Limited (all Furniture Manufacturers).
 M. Z. Mandell - Employee of F. H. Deacon & Company Limited.
- (3) Morris Weiner's associates beneficially own 336,000 common shares of the Company. Such associates are Braemore Upholstered Furniture Limited, The Morris Weiner Trust and Anne Pearl Weiner (as principal beneficiary of the Anne Pearl Weiner Trust). H. K. Weiner's associates beneficially own 294,000 common shares of the Company. Such associates are Braemore Upholstered Furniture Limited, The Harvey Kenneth Weiner Trust and Dolores Edythe Weiner (as principal beneficiary of the Dolores Edythe Weiner Trust).
- (4) Of the shares shown as beneficially owned by Morris Weiner, 180,000 are owned by Braemore Upholstered Furniture Limited (a company controlled by him) and 115,500 by The Morris Weiner Trust. All of the 94,500 shares shown as beneficially owned by H. K. Weiner are owned by The Harvey Kenneth Weiner Trust.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers of the Company during the Company's last completed financial year ended June 30, 1969 amounted to \$174,700.

OPTIONS GRANTED AND EXERCISED

The following options to purchase common shares of the Company were granted to directors and senior officers of the Company since the commencement of its last completed financial year:

| <u>Number of Shares</u> | <u>Date of Grant</u> | <u>Price</u> | <u>Expiration Date</u> |
|-------------------------|----------------------|--------------|------------------------|
| 7,500 | October 3, 1968 | \$5.00 | October 2, 1973 |

Each of such options is exercisable, on a cumulative basis, as to 20% in each successive 12 month period until the expiration date. There was no market for the common shares of the Company in the 30 day period preceding the date of the grant of such options, and the consideration for the granting thereof was continued service by the persons to whom granted.

The following options to purchase common shares of the Company were exercised by directors and senior officers of the Company since the commencement of its last completed financial year:

| <u>Number of Shares</u> | <u>Purchase Price</u> |
|-------------------------|-----------------------|
| 1500 | \$5.00 |

There was no market for the common shares of the Company in the 30 day period preceding the date of purchase.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the Company's last completed financial year:

1. The Company purchased from House of Braemore Upholstered Furniture, a partnership consisting of the following partners:

- (a) Braemore Upholstered Furniture Limited, 4646 Dufferin Street, North York, Ontario, which owned a 30% interest in the business and assets of such partnership;
- (b) The Anne Pearl Weiner Trust, 6000 Bathurst Street, North York, Ontario, which owned a 19.25% interest in such business and assets;
- (c) The Dolores Edythe Weiner Trust, 6000 Bathurst Street, North York, Ontario, which owned a 15.75% interest in such business and assets;
- (d) The Morris Weiner Trust, 650 Briar Hill Avenue, Toronto, Ontario, which owned a 19.25% interest in such business and assets; and
- (e) The Harvey Kenneth Weiner Trust, 650 Briar Hill Avenue, Toronto, Ontario, which owned a 15.75% interest in such business and assets;

the business and assets of such partnership for the aggregate price of \$1,374,361 (the book value of such assets at June 30, 1968 as determined by the auditors of such partnership and of the Company, Messrs. Jordan and Jordan) payable as to \$502,701 by the assumption of the liabilities of such partnership at June 30, 1968, as to \$871,655 by the issuance to the vendors, as fully paid and non-assessable shares, of 599,995 common shares of the Company and the balance of \$5 by application in payment for the 5 common shares of the Company (beneficially owned by Braemore Upholstered Furniture Limited) subscribed for by the Company's incorporators on the application for its incorporation. Each of Braemore Upholstered Furniture Limited, The Morris Weiner Trust and The Harvey Kenneth Weiner Trust is a principal shareholder of the Company. Morris Weiner, 650 Briar Hill Avenue, Toronto, Ontario, is a director, a proposed nominee for election as a director and a senior officer of the Company, the principal beneficiary of The Morris Weiner Trust and, through Braemore Upholstered Furniture Limited and The Morris Weiner Trust, a principal shareholder of the Company, Anne Pearl Weiner, 650 Briar Hill Avenue, Toronto, Ontario is an associate of Morris Weiner, the principal beneficiary of The Anne Pearl Weiner Trust and a Trustee of each of The Morris Weiner Trust and the Harvey Kenneth Weiner Trust. H. K. Weiner, 413 Lytton Blvd., North York, Ontario, is a director, a proposed nominee for election as a director and a senior officer of the Company, the principal beneficiary of The Harvey Kenneth Weiner Trust and an associate of Braemore Upholstered Furniture Limited. Dolores Edythe Weiner, 413 Lytton Blvd., North York, Ontario, is an associate of H. K. Weiner, the principal beneficiary of The Dolores Edythe Weiner Trust and a Trustee of The Harvey Kenneth Weiner Trust. Harry Gorback, 6000 Bathurst Street, North York, Ontario, is a senior officer of the Company and a Trustee of each of The Anne Pearl Weiner Trust and The Dolores Edythe Weiner Trust. Ruth Gorback, 6000 Bathurst Street, North York, Ontario, is an associate of Harry Gorback and a Trustee of each of The Anne Pearl Weiner Trust, The Dolores Edythe Weiner Trust and the Morris Weiner Trust.

2. The Company leased from Weiner Associates a plant at 4646 Dufferin Street, North York, Ontario, for a term of 10 years commencing October 1, 1968 at an annual rental of \$72,000, on a net basis. Weiner Associates is a partnership consisting of:

- (a) M. Weiner Enterprises Limited, 4646 Dufferin Street, North York, Ontario, which has a 32% interest in such partnership and all of the common shares of which are beneficially owned by Anne Weiner;
- (b) Harvet Enterprises Limited, 4646 Dufferin Street, North York, Ontario, which has a 32% interest in such partnership and all of the common shares of which are beneficially owned by H. K. Weiner;
- (c) Glowin Enterprises Limited, 4646 Dufferin Street, North York, Ontario, which has a 32% interest in such partnership and all of the common shares of which are beneficially owned by Gloria Matthews, daughter of Morris Weiner; and
- (d) Morris Weiner, who has a 4% interest in such partnership.

All of the issued preference shares of Harvet Enterprises Limited and Glowin Enterprises Limited are beneficially owned by Ruth Gorback.

3. The Company purchased from Weiner Furniture Limited, 4646 Dufferin Street, North York, Ontario, all of the outstanding shares (having an original cost to Weiner Furniture Limited of \$347,738.42) of The Hespeler Furniture Company, Limited for \$347,738.42 payable as to \$100,000 by the assumption by the Company of the obligation to pay the outstanding balance, in that amount payable by Weiner Furniture Limited to certain of the vendors to it of such shares, and the balance, without interest, over a four-year period commencing May 15, 1970. Weiner Furniture Limited is beneficially owned as to 55% by Morris Weiner and as to 45% by H. K. Weiner. In such transaction, the Company undertook to indemnify Weiner Furniture Limited, Morris Weiner and H. K. Weiner against any claims and demands made against them in respect of the obligation so assumed.

4. In November 1968 The Hespeler Furniture Company, Limited borrowed from Weiner Furniture Limited \$300,000, from The Anne Pearl Weiner Trust \$150,000, and from The Dolores Edythe Weiner Trust \$150,000, on a demand, non-interest-bearing basis. In May 1969, upon the purchase by the Company of the outstanding shares of The Hespeler Furniture Company, Limited, such indebtedness was placed upon a term basis with interest at 7% per annum.

APPOINTMENT OF AUDITORS

It is intended to vote proxies in favour of management nominees to appoint as auditors of the Company the firm of Jordan and Jordan and Herlick who were first appointed as auditors of the Company on September 25, 1968.

GENERAL

Information contained herein is given as of September 12, 1969. The management knows of no matters to come before the annual general meeting of shareholders other than the matters referred to in the notice of meeting. Receipt at such meeting of reports of the directors and auditors and the Company's financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein. If any matters which are not now known should properly come before the meeting, proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the person voting them.

BY ORDER OF THE BOARD

E. FINE
Secretary

DATED: September 12, 1969.